# HUNTINGTON EXPLORATION INC.


2002 Annual Report

## CORPORATE PROFILE

Huntington Exploration Inc. is in the business of mineral exploration and development in Canada. The shares of Huntington are listed on the TSX Venture Exchange and trade under the symbol "HEI".

## CORPORATE HISTORY

Huntington Exploration Inc. (the Company) was incorporated as 676182 Alberta Ltd. under the laws of Alberta by Articles of Incorporation dated November 28, 1995. On February 1, 1996 the Company changed its name to Goldust Mines Ltd. and subsequently, on July 18, 1997 changed its name to Huntington Exploration Inc. The Company adopted the French name equivalency of Exploration Huntington Inc. on the same date. Pursuant to an agreement between the Company and Croinor Explorations Inc., the Company purchased a portfolio of 12 mineral properties in Canada. The acquisition, which closed on March 29, 1996, included a 50 percent interest in the Croinor gold property located near Val d'Or, Quebec. On April 14, 1996 the Company acquired the remaining 50 percent interest in the Croinor property from Cambior Inc. From mid-1996 to the spring of 1997, the Company completed a 50,000-ton open-pit bulk sampling project on the Croinor property that produced 5,332 ounces (oz) of gold. The principal Croinor gold property was under option to South-Malartic Exploration Inc. commencing in August 1997. Having spent a total of $1,500,000 in exploration on the property, South-Malartic earned a 70 percent interest in the Croinor property effective January 31, 2002. The Croinor gold property is the principal asset and area of activity for the Company.

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# REPORT TO SHAREHOLDERS

THE PAST YEAR HAS BROUGHT RENEWED CONFIDENCE in the gold sector of the mineral resource business as a result of significant gold price increases characterized as volatile in the current political and economic environment. The majority of Huntington's inventory of mineral holdings consist of properties with gold resources or gold potential.

## CROINOR PROPERTY

The Croinor gold property remains the centre of activity for Huntington and comprises the Company's principal asset. Huntington owns a 30 percent interest in the property, which is operated by South-Malartic Exploration Inc., a Quebec-based company that holds the remaining 70 percent. Huntington also holds a royalty on the South-Malartic 70 percent interest, which varies from a minimum of one percent to a maximum of three percent of a net smelter return depending on ore grade and gold price.

BY EARLY 2002, THE EXPLORATION PROGRAM DURING THE OPTION PERIOD HAD EXPANDED THE RESOURCE TO 7.1 MILLION TONNES.

The Croinor gold property is located approximately 55 kilometres east of Val d'Or, Quebec. The property has been explored intermittently over the years, both from the surface and underground, commencing in 1944 and continuing to 1996 when an open-pit 50,000-ton bulk sampling project was undertaken by the Company. The bulk sampling was completed in 1997, yielding 5,332 oz of gold. The majority of the ore was processed through the AurBel Mill near Val d'Or which yielded a 97 percent gold recovery. The overall grade of the bulk sample was 2.94 grams per tonne (g/t), which is equivalent to 0.095 oz/ton.

In 1997, the price of gold began to decline and plans for production on a commercial scale were postponed. In August 1997, the Company entered into an option and joint-venture agreement with South-Malartic Exploration Inc. that provided the right to earn a 70 percent interest by funding total exploration expenditures of $1,500,000 over a fixed period. Pursuant to the agreement, South-Malartic earned an interest in the property (133 claims) effective January 31, 2002.

By early 2002, the exploration program during the option period had expanded the resource to 7.1 million tonnes grading 2.3 grams/tonne (518,000 oz of contained gold including the measured, indicated


and inferred resources). Huntington and South-Malartic, on a joint-venture basis, have continued with significant exploration programs throughout 2002 and over the 2003 winter period. The objective is to increase the resource numbers and associated reserve value to an appropriate level where a feasibility study can be undertaken in 2004. Open-pit mining could be considered later in 2004 depending on favourable continued exploration results for the remainder of 2003, continued strength in the gold price, and a positive outcome to the feasibility study. It is expected that the ore from the Croinor property would be processed by the nearby Chimo Mill owned by South-Malartic.

## OTHER PROPERTIES

No further exploration expenditures, other than holding costs, were incurred during 2002 on the Company's remaining seven mineral exploration properties, located in Quebec, Ontario, Nova Scotia and the Northwest Territories.

Efforts in 2002 were concentrated on the Croinor property with the continuation of significant exploration programs to bolster the gold resource values leading to eventual open-pit mining.

On behalf of the Board,

John A. Pope, P.Eng.
President
April 17, 2003

# **REVIEW** OF MINERAL PROPERTIES

Huntington has eight mineral properties in Canada, all of which have undergone geological investigations ranging from grassroots to extensive in previous years. The Company's principal and most active property is the Croinor gold property in Quebec.

## **CROINOR** GOLD PROPERTY

### Property Description and Location

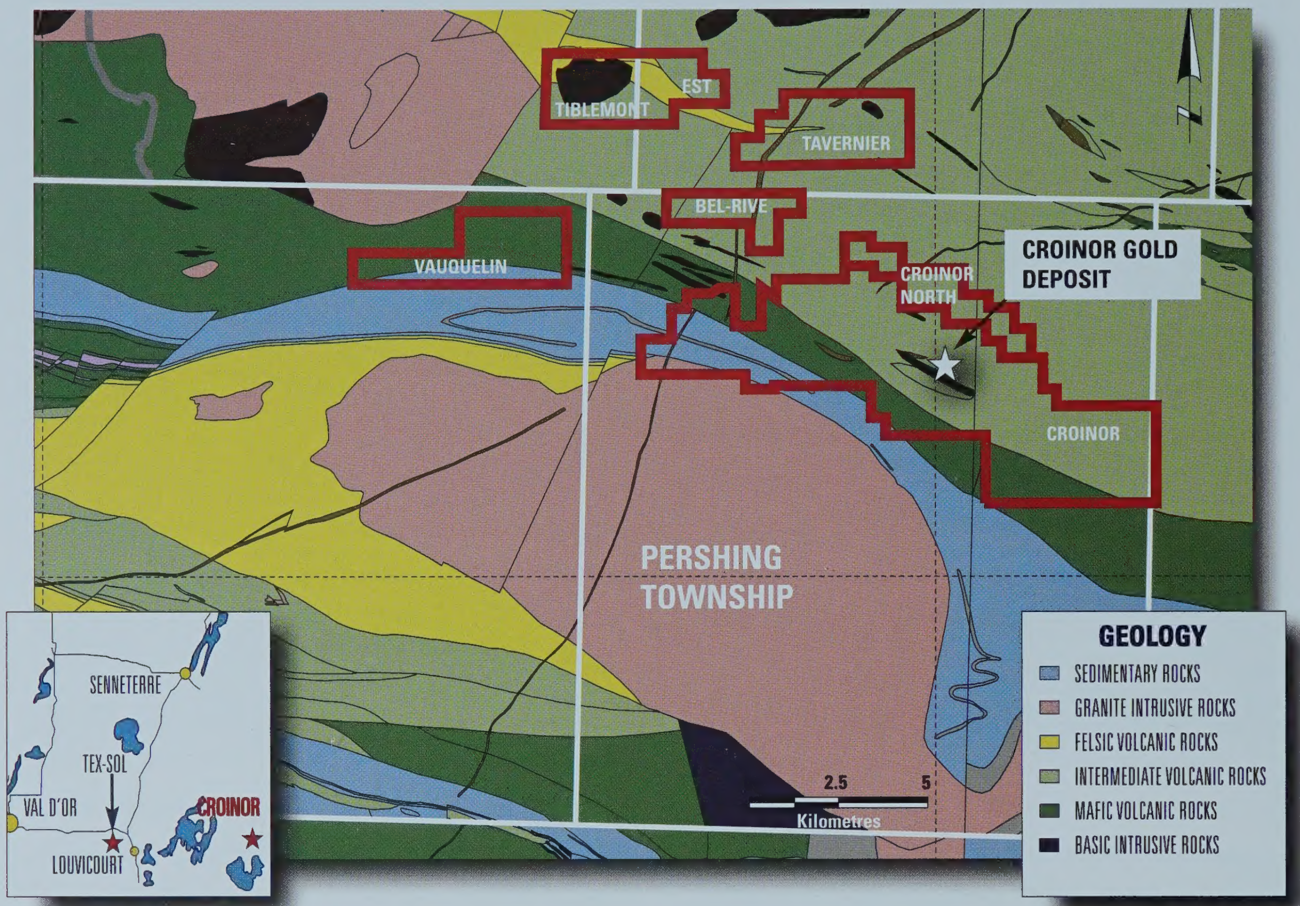
The Croinor gold property is located approximately 55 kilometres east of Val d'Or in northwestern Quebec. The central portion of the property is comprised of 237 mining claims and covers an area of approximately 3,792 hectares within the Pershing Township. (Refer to map on page 4.) Huntington holds a 30 percent interest in the property. Five of the claims are subject to a 10 percent after-payout, non-contributing interest; 92 claims are subject to an advance royalty payment of $15,000 annually until commercial production on the claims has been achieved and are thereafter subject to a 15 percent after pay-out, net-profit interest with minimum payments of $15,000 annually, and subject to a five percent carried interest; and 36 claims are subject to a net smelter return of 1.5 percent. The 70 percent interest held by South-Malartic is subject to a net smelter return payable to the Company which can vary between one percent and three percent depending on ore grade and gold price. During 2002 a 30 percent interest was acquired in an additional 135 claims, covering approximately 2,658 hectares north and northwest of the main Croinor property and located in the Pershing, Tavernier, Tiblemont and Vauquelin Townships.

### History

The Croinor property was initially explored between 1944 and 1948. During this period the exploration program consisted of 11,215 metres of surface drilling, sinking in a vertical shaft with four exploration levels and 5,587 metres of underground drilling. In 1979 a renewed exploration program was comprised of 17,610 metres of surface drilling, installing a 700-metre ramp from surface and building a 20-kilometre access road. Further exploration during 1983 and 1984 involved drilling an additional 10,272 metres from surface and 5,109 metres of hole from underground. Additional drilling consisting of 10,465 metres was completed in 1988 and 1989.

The Company received approval from the Ministre des Ressources Naturelles, in the Province of Quebec, for a 50,000-ton bulk sample extraction on the property in the spring of 1996. Active open-pit mining was undertaken in mid-1996 to extract the bulk sample. The goal of the program was to determine the gold recovery levels and feasibility of larger scale, open-pit and underground gold mining operations on the property. The bulk sampling was completed by the end of April, 1997. The majority of the ore was processed through the

## VAL-D'OR AREA, PROVINCE OF QUEBEC

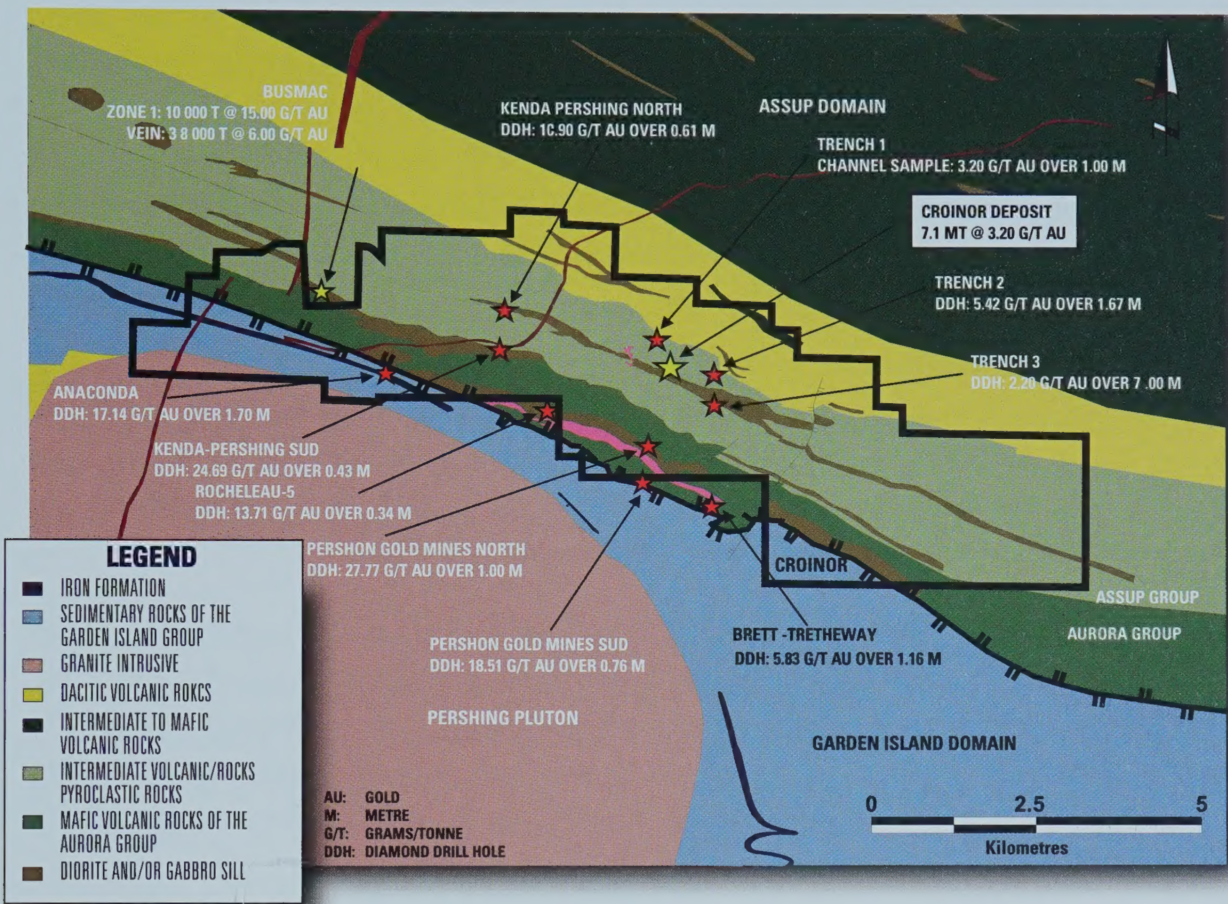



AurBel Mill near Val d'Or which yielded a 97 percent gold recovery. The overall grade of the bulk sample was 2.94 grams per tonne (g/t), which is equivalent to 0.095 oz/ton. A falling gold bullion price at the end of the sampling period resulted in the decision not to proceed with a commercial open-pit mining operation.

In August 1997, the Company entered into an option and joint-venture agreement with South-Malartic Exploration Inc. that provided the right to earn a 70 percent interest by incurring total exploration expenditures of $1,500,000 over a fixed period. Pursuant to the agreement, South-Malartic earned in the property (133 claims) effective January 31, 2002. Huntington retains a 30 percent interest and a royalty on the South-Malartic 70 percent interest, which varies from a one percent to three percent net smelter return depending on ore grade and gold price. Significant progress was made with the exploration program during the option period to define the gold resource established on the Croinor property.

Since February 1, 2002 Huntington and South-Malartic, on a joint-venture basis, have continued with exploration work on the Croinor property throughout 2002 and over the current winter period. The purpose of the fall and winter drilling programs has been to increase the gold resources outlined by earlier drilling and to better understand the geological interpretation of the deposit for eventual open-pit mining. Aggressive exploration work programs are planned for the remainder of 2003.

## GEOLOGICAL COMPILATION, CROINOR DEPOSIT AREA




### Geological Setting

The Croinor property is mainly underlain by intermediate to mafic volcanic rocks which were intruded by a diorite sill. (Refer to map above.) The property lies immediately north of the "Cadillac Brake" where most of the significant gold deposits of northwestern Quebec are located. These include the prolific mines of the Val d'Or area which are believed to be genetically related to the same major structure.

### Mineralization

The main Croinor gold deposit occurs within the diorite sill and is classified as the vein-type associated chiefly with quartz carbonate and sulphides, in addition to subordinate mineralization and pervasive carbonate alteration. The gold veins are structurally controlled by oblique sheer zones along with brecciation and tension fractures.

### Mineral Resources

In February 2002, South-Malartic announced the results of an updated resource evaluation, which had been confirmed by the consulting firm of Geostat International Inc. They emphasize that the deposit is open at depth and along strike. The calculations were carried out using state-of-the-art geostatical methodology and are categorized in the table on page 6.

The gold mineralization is mainly associated with pyrite, located in shear zones, tension fractures perpendicular to the shearing and breccia zones, all of which occur within an altered diorite intrusive sill. The Croinor deposit contains a substantial resource that has been outlined near surface and overlain by shallow overburden. According to the Geostat report, the project may prove to be amenable to low-cost, open-pit mining.

| RESOURCE CATEGORY | TONNAGE (METRIC) | GRADE (AU G/T*) | GOLD (OUNCES) |
|---|---|---|---|
| Measured | 3,325,969 | 2.25 | 240,598 |
| Indicated | 1,260,053 | 1.93 | 78,188 |
| Inferred | 2,524,385 | 2.46 | 199,656 |

*Au g/t: Gold grams/tonne

### Recent Exploration Program Results

The most current drill results to be released relate to the program carried out between October 8, 2002 and January 26, 2003 that involved over 50 drill holes, of which over 75 percent yielded a gold assay of 1.0 g/t gold (gram/tonne, gold) or better. The holes were located between 230E and 720W and 125N and 115S, based on a metric grid from the main shaft on the Croinor original deposit as the origin.

The most significant drill result returned an assay of 9.76 g/t gold (7.27 g/t gold, cut to one ounce/ton) over 23.00 metres (15.90 metres, true width) including 53.40 g/t gold over 3.00 metres from hole CR-03-130 (380 W). Several drill holes crossing the southern contact of the diorite sill also encountered significant gold mineralized lenses such as 6.49 g/t gold (2.38 g/t gold, cut to one ounce/ton) over 8.3 metres, including 148.04 g/t gold over 0.30 metres in hole CR-03-123 (570 W), 2.36 g/t gold over 8.80 metres in hole CR-03-133 (360 W) and 16.70 g/t gold over 2.60 metres in hole CR-03-135 (330 W).

Upon completion of the winter-2003 program, several months will be spent analyzing the results and formulating the final exploration assault on the property in the second-half of 2003.

### Tex-Sol – Quebec

The Tex-Sol gold property is located approximately 30 kilometres east of Val d'Or, Quebec. The property (100 percent Huntington) consists of 10 claims covering an area of approximately 600 hectares. The Tex-Sol property is located within the same Greenstone Belt as past and producing mines in the general area.

El Sol Gold Mines Ltd. initially explored the Tex-Sol property from 1946 to 1948. The property remained inactive until 1986 when Dominion Explorers Inc. evaluated the grounds with geological mapping, ground geophysical surveys, and 16 diamond drill holes. Further exploration was conducted in 1998 by Aur Resources Inc. that had the Tex-Sol property under option from the Company. Aur incurred expenditures in excess of $200,000. Potential exists to discover economic mineralization within the sector that lies down-plunge from the known ore at the adjacent Louvicourt Goldfield.

### Missing Lake, Mishibishu Lake Area, Ontario

The property is located approximately 80 kilometres southeast of the Hemlo Gold Mines in the Mishibishu Lake area, Ontario. The Missing Lake property consists of 11 claims (100 percent Huntington in 10 claims, 50 percent in one claim). The 10 claims are along the shear zone adjacent to the open-pit mine owned by River Gold Mines Ltd. River Gold has a mill to the north of the property. The single claim is along the Dorset Zone which was the target of extensive exploration by Murgor Resources Inc. and Battle Mountain Canada Ltd. in the 1996 to 2000 period.

### West Gore, Nova Scotia

The West Gore Property (100 percent Huntington) is located in Hants County and is comprised of 16 claims, of which 12 are subject to a 10 percent net-profits interest. The area has been explored and exploited for antimony and gold since the discovery of the main deposit in the early 1880s.

### Fairbank, Ontario

The Fairbank Property is located near Sudbury. The Company's 100 percent interest in the property was transferred to Falconbridge Limited in 1989. Falconbridge is required to pay an advance royalty payment to the Company of $5,000 per year until the year 2008. The Company will receive a two percent net-smelter-return royalty from any future production on the property. The property contains the potential for large, deep nickel deposits.

### Sturgeon Lake, Ontario

The Sturgeon Lake Property is located near Thunder Bay. The Company has a 33 percent interest in this 80-claim property, which is operated by Inmet Mining Corporation.

### Cape Smith, Quebec

Energold Minerals Inc. is the operator of this property located on the north end of the Ungava Peninsula. Huntington holds a 13 percent interest in the Cape Smith Property. Marginal nickel-copper mineralization has been found on this property.

### Labine Point, NWT

The Company holds a 50 percent interest in three mining leases at Labine Point, Great Bear Lake, NWT, under leases renewed to 2023. Falconbridge Ltd., as operator of the leases, holds the remaining 50 percent interest. Over the period 1974-1981, Echo Bay Mines Ltd., that owned and operated the adjoining El Dorado silver-uranium mine, optioned the property and carried out exploration consisting of geophysics and diamond drilling.

# **MANAGEMENT'S** DISCUSSION AND ANALYSIS

The Company continued throughout 2002 to manage cash resources conservatively, keeping overhead to a minimum and with the exception of the Croinor property did not incur any exploration expenditures, other than lease and claim renewal and maintenance costs. The Company's mineral exploration activity in 2002 occurred on the Croinor gold property which had been under option to South-Malartic Exploration Inc. since August 1997. South-Malartic had the option to spend $1,500,000 on exploration over a fixed-period to earn a 70 percent interest which occurred effective January 31, 2002. Huntington incurred total expenditures of $312,230 on the Croinor joint-venture program during 2002. The Croinor property is the Company's most significant holding and is expected to continue to contribute to the future growth and benefit of the Company.

## **REVENUE** AND EXPENSES

Revenue for the twelve months ended December 31, 2002 was $14,143, compared to revenue of $23,079 in 2001. Funds used in operations were $95,238 or $0.01 per share for the period compared to $104,223 or $0.01 per share for the prior year, while the loss was $53,370 or $0.01 per share in the year 2002 compared to $89,462 or $0.01 per share in 2001.

Total expenses for the year were $67,513 ($112,541 in 2001). Mining exploration costs were $27,497 ($23,403 in 2001). Depreciation on office and other equipment was $4,332 ($3,353 in 2001). General and administrative expenses were $81,884 ($103,899 in 2001) and consisted mainly of consulting fees, share transfer services and office expenses. The write-down of mineral properties was nil ($85,000 in 2001).

Due to South-Malartic Exploration Inc. earning a 70 percent interest in the Croinor property, a provision for restoration adjustment was recorded during 2002.

## **FINANCIAL** POSITION

At the end of the year, the Company had $280,552 ($290,869 in 2001) in cash and short-term deposits and $125,039 ($125,039 in 2001) in marketable securities. In December the Company issued 1,667,000 flow-through common shares for proceeds of $200,040 and 500,000 common shares for proceeds of $50,000.

# MANAGEMENT'S REPORT TO SHAREHOLDERS

The accompanying financial statements of Huntington Exploration Inc. have been prepared by management in accordance with generally accepted accounting principles.

The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. Management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality. Further, management is satisfied that the financial information through the balance of this report is consistent with the information presented in the financial statements.

KPMG LLP, independent auditors, have been appointed by the shareholders of Huntington. They have examined the financial statements of the Company for the year ended December 31, 2002 and the auditors' opinion is expressed herein. The Audit Committee has reviewed these statements with management and the auditors have reported to the Board of Directors. The Board of Directors has approved the financial statements.

John A. Pope, P.Eng.
President and Chief Executive Officer
March 11, 2003

Andrew S. Burgess, C.A.
Vice President and Chief Financial Officer

# AUDITORS' REPORT TO SHAREHOLDERS

We have audited the consolidated balance sheets of Huntington Exploration Inc. as at December 31, 2002 and 2001 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada

March 11, 2003

# **FINANCIAL** STATEMENTS

## **CONSOLIDATED** BALANCE SHEETS

| DECEMBER 31, | 2002 | 2001 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and short-term deposits | **$ 280,552** | $ 290,869 |
| Investments (market value 2002 – $233,800; 2001 – $155,370) | **125,039** | 125,039 |
| Accounts receivable | **4,737** | 5,187 |
| | **410,328** | 421,095 |
| Mineral properties (note 3) | **1,101,771** | 789,541 |
| Capital assets (note 4) | **3,492** | 7,824 |
| | **$ 1,515,591** | $ 1,218,460 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | **$ 162,475** | $ 13,087 |
| Provision for site restoration | **19,800** | 66,000 |
| Shareholders' equity | | |
| Share capital (note 6) | **4,729,233** | 4,481,920 |
| Deficit | **(3,395,917)** | (3,342,547) |
| | **1,333,316** | 1,139,373 |
| Future operations (note 2) | | |
| | **$ 1,515,591** | $ 1,218,460 |

See accompanying notes to consolidated financial statements.

Approved by the Board:

Director

Andrew A. Burgess
Director

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

| DECEMBER 31, | 2002 | 2001 |
|---|---|---|
| **Revenue** | | |
| Investment income | **$ 14,143** | $ 23,079 |
| **Expenses** | | |
| General and administrative | **81,884** | 103,899 |
| Mineral exploration costs | **27,497** | 23,403 |
| Depreciation | **4,332** | 3,353 |
| Write-down of mineral properties | **–** | 85,000 |
| Provision for restoration | **(46,200)** | – |
| Reversal of note payable | **–** | (103,114) |
| | **67,513** | 112,541 |
| Net loss for the year | **(53,370)** | (89,462) |
| Deficit, beginning of year | **(3,342,547)** | (3,253,085) |
| Deficit, end of year | **$ (3,395,917)** | $ (3,342,547) |
| Loss per share – basic and diluted | **$ (0.01)** | $ (0.01) |

See accompanying notes to consolidated financial statements.

## **CONSOLIDATED** STATEMENTS OF CASH FLOWS

| DECEMBER 31, | 2002 | 2001 |
|---|---|---|
| **Cash flow provided by (used in) operating activities** | | |
| Net loss for the year | **$ (53,370)** | $ (89,462) |
| Items not involving cash: | | |
| Depreciation | **4,332** | 3,353 |
| Write-down of mineral properties | **–** | 85,000 |
| Provision for site restoration | **(46,200)** | – |
| Reversal of note payable | **–** | (103,114) |
| Funds used in operations | **(95,238)** | (104,223) |
| Changes in non-cash working capital: | | |
| Accounts receivable | **450** | 642 |
| Accounts payable and accrued liabilities | **13,530** | 2,414 |
| | **(81,258)** | (101,167) |
| **Investments** | | |
| Mineral properties | **(312,230)** | (2,640) |
| Accounts payable and accrued liabilities | **135,858** | – |
| | **(176,372)** | (2,640) |
| **Financing** | | |
| Issue of shares for cash, net | **247,313** | – |
| Decrease in cash and cash equivalents | **(10,317)** | (103,807) |
| Cash and cash equivalents, beginning of year | **290,869** | 394,676 |
| Cash and cash equivalents, end of year | **$ 280,552** | $ 290,869 |
| Cash and cash equivalents is comprised of: | | |
| Cash | **$ 36,724** | $ 7,272 |
| Short-term deposits | **243,828** | 283,597 |
| | **$ 280,552** | $ 290,869 |

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2002 and 2001

## 1. Incorporation

The Company is incorporated under the laws of the Province of Alberta.

## 2. Significant accounting policies:

### [A] Future operations

The Company has a reasonable expectation that it has adequate resources to continue for the foreseeable future, and accordingly, these financial statements have been prepared on a going concern basis, although additional capital and further business development will be required to achieve profitable operations and positive cash flows on a commercial scale.

### [B] Investments

Investments are stated at the lower of cost and market.

### [C] Mineral property interests

Costs of acquiring mineral properties are deferred until either commercial production is established or the property is abandoned; at that time the costs will be either amortized on a unit-of- production basis or fully charged to operations.

Proceeds from sale of properties and earn-in arrangements in which the Company has retained an economic interest are credited against property costs and no gain is recorded until all costs have been fully recovered. Periodically, a determination is made by management as to the status of each property. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse. At management's discretion, the properties or costs are written off or written down to a nominal value where an interest in claims remains. Management also periodically determines if an exploration property is impaired and whether the carrying value of such property should be written-down and whether exploration costs incurred should be charged against earnings rather than being deferred.

Amounts recorded for mineral properties represent costs incurred to date, net of write-downs, and are not intended to reflect present or future values. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

### [D] Capital assets

Capital assets are stated at their cost. Depreciation is provided by the declining balance method at 30 percent per annum.

### [E] Provision for site restoration

The Company records a liability for its proportionate share of site restoration costs related to mine sites in accordance with regulatory requirements.

### [F] Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year.

### [G] Cash and cash equivalents

Cash and cash equivalents is defined to include short-term deposits with maturities less than 90 days.

### [H] Income taxes

Income taxes are accounted for using the asset and liability method whereby future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying amounts

of assets and liabilities and their respective income tax basis. Future income tax assets and liabilities are measured using tax rates expected to apply when the asset is realized or the liability settled.

**[l] Measurement uncertainty**

The amounts recorded for depreciation of capital assets, the provision for future site restoration, write-down on mineral properties and write-down on investments are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

## 3. Mineral properties

Mineral properties consist of the following:

| Property | 2002 | 2001 |
|---|---|---|
| Croinor | $ 959,131 | $ 646,901 |
| Tex-Sol | 100,000 | 100,000 |
| West Gore | 25,000 | 25,000 |
| Missing Lake | 17,640 | 17,640 |
| | $ 1,101,771 | $ 789,541 |

The Company has interests in the following properties:

*(a) Croinor Property, Pershing Township, Quebec:*

The Company owns a 30 percent interest in 133 mineral claims in the original property. Five of the claims are subject to a 10 percent after-payout non-contributing interest. Of the claims 92 are subject to an advance royalty payment of $15,000 annually until commercial production on the claims has been achieved and thereafter subject to a 15 percent after pay-out net-profit interest with minimum payments of $15,000 annually, and subject to a 5 percent carried interest, and 36 of the claims are subject to a net smelter return of 1.5 percent. The remaining 70 percent interest held by a third-party is subject to a net-smelter-return payable to the Company which can vary between 1 percent and 3 percent depending on ore grade and gold price. During 2001 the Company acquired a 30 percent interest in an additional 104 claims which adjoin the Croinor property to the east and west. In 2002 the Company acquired a 30 percent interest in a further 135 claims to the north and west of the Croinor property

*(b) Tex-Sol Property, Bourlamaque Township, Quebec*

The Company owns a 100 percent interest in 10 claims.

*(c) West Gore, Hants County, Nova Scotia:*

The Company owns 100 percent in an exploration license comprising 16 claims, subject to a 10 percent net profits interest.

*(d) Missing Lake, Point Isacor and Mishibishu Lake Townships, Ontario:*

The Company owns a 100 percent interest in 10 mineral claims and a 50 percent interest in one mineral claim.

## 4. Capital assets

| | 2002 | 2001 |
|---|---|---|
| Mining equipment | $ 20,000 | $ 20,000 |
| Office and other equipment | 41,694 | 45,818 |
| | 61,694 | 65,818 |
| Accumulated depreciation | 58,202 | 57,994 |
| | $ 3,492 | $ 7,824 |

## 5. Income taxes

The components of the Company's future income tax asset are as follows:

| | 2002 | 2001 |
|---|---|---|
| Future income tax assets | | |
| Future site restoration | **$ 7,865** | $ 27,469 |
| Tax losses | **351,069** | 324,838 |
| Mineral properties | **2,602,153** | 2,817,768 |
| Future income tax asset | **2,961,087** | 3,170,075 |
| Valuation allowance | **(2,961,087)** | (3,170,075) |
| Net future income tax asset | **$ –** | $ – |

At December 31, 2002, the Company has non-capital losses of approximately $866,000 expiring at various dates to December 31, 2007. At December 31, 2002, the Company has resource deductions relating to mineral properties of approximately $7,668,000. This includes approximately $1,795,000 of Canadian Development Expense, approximately $2,198,000 of Canadian Exploration Expense and approximately $3,675,000 in successor tax pools, all of which are subject to confirmation by taxation authorities.

## 6. Share capital

### [A] Authorized

The authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series.

### [B] Issued

| | NUMBER OF SHARES | AMOUNT |
|---|---|---|
| Balance, December 31, 2000 and 2001 | 10,510,392 | $ 4,481,920 |
| Issued for cash | | |
| Flow-through shares | 1,667,000 | 200,040 |
| Private placement | 500,000 | 50,000 |
| Share issuance costs | – | (2,727) |
| Balance, December 31, 2002 | 12,677,392 | $ 4,729,233 |

In 2002 the Company issued 1,667,000 flow-through shares for proceeds of $200,040. The Company has committed to make expenditures in 2003 of $200,040.

## 7. Related party transactions

For the year ended December 31, 2002, the Company recorded $6,643 (2001 – $7,324) in legal fees to firms of which a director is a partner and $41,369 (2001 - $38,188) in consulting fees to companies owned by directors.

## 8. Financial instruments

The carrying amount of short-term deposits, accounts receivable and accounts payable and accrued liabilities approximate the fair value because of the near-term maturity of those instruments.

The fair value of marketable securities is considered to be equal to the market value of securities which is disclosed on the face of the consolidated balance sheet.

The fair value of the note payable is not practicably determinable as it is non-interest bearing with no fixed terms of repayment.

# CORPORATE INFORMATION

### Directors

Andrew S. Burgess
*Vice-President, Huntington Exploration Inc.*

John A. Pope
*President, Huntington Exploration Inc.*

C. Alan Smith
*President, Aeonian Capital Corporation*

William H. Smith, Q.C.
*Partner, McCarthy Tetrault*
*Barristers & Solicitors*

### Officers

C. Alan Smith
*Chairman*

John A. Pope
*President and Chief Executive Officer*

Andrew S. Burgess
*Vice President and Chief Financial Officer*

William H. Smith, Q.C.
*Corporate Secretary*

### Head Office

2450, 255 - 5 Avenue SW
Calgary, Alberta T2P 3G6
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### Legal Counsel

McCarthy Tetrault LLP
Calgary, Alberta

### Auditors

KPMG LLP
Calgary, Alberta

### Transfer Agent and Registrar

Computershare Investor Services Inc.
Calgary, Alberta

### Listed

The TSX Venture Exchange
Trading Symbol: HEI

## ANNUAL GENERAL MEETING

Shareholders are invited to attend the Annual General Meeting on Wednesday, May 28, 2003 at 11:00 a.m. in the Hamilton Room of the Bow Valley Square Conference Center, Third Floor, 205 – 5 Avenue S.W., Calgary, Alberta.

**HUNTINGTON EXPLORATION INC.**

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